

TEVA PHARMACEUTICAL INDUSTRIES LTD

Form 6-K

May 04, 2010

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# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

## **FORM 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**under the Securities Exchange Act of 1934**

**For the month of May 2010**

**Commission File Number 0-16174**

# **TEVA PHARMACEUTICAL INDUSTRIES LIMITED**

**(Translation of registrant's name into English)**

**5 Basel Street, P.O. Box 3190**

**Petach Tikva 49131 Israel**

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

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**Exhibits**

As listed below, attached as Exhibit 101 to this Report on Form 6-K is certain information contained in this Report on Form 6-K of Teva Pharmaceutical Industries Limited relating to the three months ended March 31, 2010, formatted in XBRL (Extensible Business Reporting Language). Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, that this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

<b>Exhibit No.</b>	<b>Description</b>
EX-4.1	Third Supplemental Senior Indenture, dated as of March 16, 2010, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, relating to Teva's 0.25% Convertible Senior Debentures due 2026.
EX-101.INS	XBRL Taxonomy Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema Document
EX-101.CAL	XBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	XBRL Taxonomy Label Linkbase Document
EX-101.PRE	XBRL Taxonomy Presentation Linkbase Document

**INTRODUCTION AND USE OF CERTAIN TERMS**

Unless otherwise indicated, all references to the Company, we, our and Teva refer to Teva Pharmaceutical Industries Limited and its subsidiaries. References to U.S. dollars, U.S.\$ and \$ are to the lawful currency of the United States of America, and references to NIS are to the Israeli shekels. Market share data is based on information provided by IMS Health Inc., a leading provider of market research to the pharmaceutical industry (IMS), unless otherwise stated.

**Table of Contents****TEVA PHARMACEUTICAL INDUSTRIES LIMITED****CONSOLIDATED STATEMENTS OF INCOME**

(U.S. dollars in millions, except share and per share data)

(Unaudited)

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net sales	\$ 3,653	\$ 3,147
Cost of sales	1,640	1,576
Gross profit	2,013	1,571
Research and development expenses	207	219
Selling and marketing expenses	752	604
General and administrative expenses	182	196
Legal settlements, acquisition and restructuring expenses and impairment	34	14
Purchase of research and development in process	4	
Operating income	834	538
Financial expenses net	27	63
Income before income taxes	807	475
Provision for income taxes	85	25
	722	450
Share in profits (losses) of associated companies net	(8)	1
Net income	714	451
Net income attributable to non-controlling interests	1	*
Net income attributable to Teva	\$ 713	\$ 451
Earnings per share attributable to Teva:		
Basic	\$ 0.80	\$ 0.53
Diluted	\$ 0.79	\$ 0.51
Weighted average number of shares (in millions):		
Basic	892	857
Diluted	921	894

\* Represents an amount of less than \$0.5 million.

**The accompanying notes are an integral part of the condensed financial statements.**



**Table of Contents****TEVA PHARMACEUTICAL INDUSTRIES LIMITED****CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in millions)

	<b>March 31, 2010 Unaudited</b>	<b>December 31, 2009 Audited</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,356	\$ 1,995
Short-term investments	337	253
Accounts receivable	5,136	5,019
Inventories	3,244	3,332
Deferred taxes and other current assets	1,538	1,542
<b>Total current assets</b>	<b>12,611</b>	<b>12,141</b>
<b>Long-term investments and receivables</b>	<b>665</b>	<b>534</b>
<b>Deferred taxes, deferred charges and other assets</b>	<b>603</b>	<b>642</b>
<b>Property, plant and equipment, net</b>	<b>3,737</b>	<b>3,766</b>
<b>Identifiable intangible assets, net</b>	<b>3,872</b>	<b>4,053</b>
<b>Goodwill</b>	<b>12,563</b>	<b>12,674</b>
<b>Total assets</b>	<b>\$ 34,051</b>	<b>\$ 33,810</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt and current maturities of long term liabilities	\$ 1,974	\$ 1,301
Sales reserves and allowances	3,006	2,942
Accounts payable and accruals	2,671	2,680
Other current liabilities	692	679
<b>Total current liabilities</b>	<b>8,343</b>	<b>7,602</b>
<b>Long-term liabilities:</b>		
Deferred income taxes	1,713	1,741
Other taxes and long term payables	675	727
Employee related obligations	174	170
Senior notes and loans	3,416	3,494
Convertible senior debentures	47	817
<b>Total long term liabilities</b>	<b>6,025</b>	<b>6,949</b>
<b>Commitments and contingencies, see note 13</b>		
<b>Total liabilities</b>	<b>14,368</b>	<b>14,551</b>
<b>Equity:</b>		
<b>Teva shareholders' equity:</b>		
Ordinary shares as of March 31, 2010 and December 31, 2009: authorized 1,500 million shares; issued and outstanding 931 million shares and 923 million shares, respectively	49	49
Additional paid-in capital	13,035	12,880
Retained earnings	7,210	6,662
Accumulated other comprehensive income	280	555
Treasury shares as of March 31, 2010 and December 31, 2009 38 million ordinary shares	(924)	(924)

	19,650	19,222
<b>Non-controlling interests</b>	<b>33</b>	<b>37</b>
<b>Total equity</b>	<b>19,683</b>	<b>19,259</b>
<b>Total liabilities and equity</b>	<b>\$ 34,051</b>	<b>\$ 33,810</b>

The accompanying notes are an integral part of the condensed financial statements.

**Table of Contents****TEVA PHARMACEUTICAL INDUSTRIES LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOW**

(U.S. dollars in millions)

(Unaudited)

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities:</b>		
Net income	\$ 714	\$ 451
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	235	157
Decrease (increase) in working capital items	(85)	186
Deferred income taxes net and uncertain tax positions	**	(62)*
Purchase of research and development in process	4	
Stock-based compensation	18	9
Other items - net	**	(8)*
<b>Net cash provided by operating activities</b>	<b>886</b>	<b>733</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(165)	(160)
Proceeds from realization of investments	67	30
Purchase of investments and other assets	(221)	(9)
Other items net	(9)	(3)
<b>Net cash used in investing activities</b>	<b>(328)</b>	<b>(142)</b>
<b>Financing activities:</b>		
Dividends paid	(165)	(127)
Proceeds from exercise of options by employees	72	41
Proceeds from long-term loans and other long-term liabilities received	1	268
Discharge of long-term loans and other long-term liabilities	(72)	(58)
Net decrease in other short-term credit	(18)	(154)
Excess tax benefit on options exercised	7	6
<b>Net cash used in financing activities</b>	<b>(175)</b>	<b>(24)</b>
<b>Translation adjustment on cash and cash equivalents</b>	<b>(22)</b>	<b>(71)</b>
<b>Net increase in cash and cash equivalents</b>	<b>361</b>	<b>496</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>1,995</b>	<b>1,854</b>
<b>Balance of cash and cash equivalents at end of period</b>	<b>\$ 2,356</b>	<b>\$ 2,350</b>

\* Reclassified.



\*\* Represents an amount of less than \$0.5 million.

**Supplemental disclosure of non-cash financing activities:**

During the three months ended March 31, 2010, \$58 million principal amount of convertible senior debentures was converted into approximately 1.6 million Teva shares.

**The accompanying notes are an integral part of the condensed financial statements.**

**Table of Contents****TEVA PHARMACEUTICAL INDUSTRIES LIMITED****Notes To Condensed Consolidated Financial Statements****(Unaudited)****NOTE 1 Basis of presentation:**

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position and results of operations of Teva Pharmaceutical Industries Limited ( "Teva" or the Company ). These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements included in its Annual Report on Form 20-F for the year ended December 31, 2009, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of results that could be expected for the entire fiscal year.

**NOTE 2 Certain transactions:**

On March 18, 2010, the Company signed a definitive agreement under which Teva agreed to acquire ratiopharm for an enterprise value of Euro 3.625 billion (or approximately \$5 billion). Ratiopharm is a global pharmaceutical company that operates in more than 20 countries. This acquisition is expected to improve Teva's market position in Germany and further enhance Teva's leadership position in key European markets and Canada.

Closing of the transaction is subject to certain conditions, including relevant regulatory approvals. The transaction is expected to close by the end of 2010.

**NOTE 3 Inventories:**

Inventories consisted of the following:

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
	<b>U.S. \$ in millions</b>	
	<b>Unaudited</b>	<b>Audited</b>
Raw and packaging materials	\$ 1,036	\$ 1,072
Products in process	500	522
Finished products	1,639	1,658
	3,175	3,252
Materials in transit and payments on account	69	80
	\$ 3,244	\$ 3,332

**NOTE 4 Convertible senior debentures:**

During the three months ended March 31, 2010, \$58 million principal amount of convertible senior debentures was converted into approximately 1.6 million Teva shares. Of the \$58 million principle amount, \$32 million principal amount is related to Teva's 0.5% convertible senior debentures due 2024 and \$26 million principal amount is related to Teva's 0.25% convertible senior debentures due 2024.

Convertible senior debentures amounting to \$779 million, which were reported under long-term liabilities at December 31, 2009, were reclassified to short-term debt at March 31, 2010 as the earliest future redemption both by the holders and Teva is on February 1, 2011.

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In addition, convertible senior debentures amounting to \$67 million, which were reported under short-term liabilities at December 31, 2009, were reclassified to long-term debt at March 31, 2010 as the earliest future redemption by the holders is on August 1, 2014.

**Table of Contents****NOTE 5 Earnings per share:**

Basic earnings per share is computed by dividing net income attributable to Teva by the weighted average number of ordinary shares (including special shares exchangeable into ordinary shares) outstanding during the period, net of treasury shares.

In computing diluted earnings per share for the three months ended March 31, 2010 and 2009, respectively, basic earnings per share were adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested restricted stock units ( RSUs ) granted under employee stock compensation plans and one series of convertible senior debentures, using the treasury stock method; and (ii) the conversion of the remaining convertible senior debentures and subordinated notes using the if-converted method, by adding to net income interest expense on the debentures and amortization of issuance costs, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of the debentures and subordinated notes.

In computing diluted earnings per share for the three months ended March 31, 2009, no account was taken of the potential dilution of the convertible senior debentures, amounting to 16 million weighted average shares, since they had an anti-dilutive effect on earnings per share.

The net income and the weighted average number of shares used in the computation of basic and diluted earnings per share for the three months ended March 31, 2010 and 2009 are as follows:

	<b>Three months ended March 31, 2010      2009 (in millions)</b>	
Net income attributable to Teva	\$ 713	\$ 451
Interest expense on convertible senior debentures, and issuance costs, net of tax benefits	11	1
Net income used for the computation of diluted earnings per share	\$ 724	\$ 452